Supreme Court
FILED
FEB 19 1998
CLERK

No. 97-1175

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1997

ENTERTAINMENT RESEARCH GROUP, INC.,
a California corporation,
Petitioner,

VS.

GENESIS CREATIVE GROUP, INC.,
a Michigan corporation;

AEROSTAR INTERNATIONAL, INC.,
a South Dakota corporation,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF IN OPPOSITION

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BRIEF IN OPPOSITION

Respondent Aerostar International, Inc. ("Aerostar") respectfully opposes the petition for Writ Of Certiorari ("Petition") submitted by petitioner Entertainment Research Group, Inc. ("Petitioner") to review the Judgment and Opinion of the United States Court Of Appeals for the Ninth Circuit ("Opinion") which is reported at 122 F.3d 1211.

REASONS FOR DENYING THE PETITION

1. THERE IS NO CONFLICT AMONG THE CIRCUITS BECAUSE THE NINTH CIRCUIT PROPERLY ADOPTED AND APPLIED THE SECOND CIRCUIT'S TWO PART TEST IN *DURHAM*.

The Ninth Circuit properly adopted and applied the Second Circuit's two part test enunciated in *Durham*. Petitioner argues (Petition at 5-6) that the Ninth Circuit adopted a test other than *Durham*, but the Petition does not say what that purported "new" test is. Nevertheless, it is clear that the Ninth Circuit adopted *Durham*:

> In direct contrast, we are satisfied that the test developed by the Second Circuit in *Durham* is the proper approach for us to apply in the instant circumstances to determine whether ERG's costumes are copyrightable as derivative works. *ERG v. Genesis*, 122 F.2d 1211, 1220 (9th Cir. 1997).

It is equally clear that, having adopted *Durham*, the Ninth Circuit applied it. *ERG v. Genesis, supra* at 1221-24.

Petitioner also claims, incorrectly, that the Ninth Circuit's opinion creates a conflict among the circuits, but cites only to *Durham* and cases within the Ninth Circuit. (Petition at 7-8). The fact that the Ninth Circuit has adopted the Second Circuit's *Durham* test does not create a conflict — it does just the opposite. And, if the Ninth Circuit's opinion is read to conflict with earlier Ninth Circuit opinions that certainly can not create a circuit conflict. The Petition quite correctly does not challenge a circuit's ability to depart from its own precedent. But, as the Ninth Circuit recognized, its opinion is not actually a departure from precedent because

the Ninth Circuit had never adopted the rule that Petitioner argues was abandoned:

> In addition, it is not clear that we ever adopted the *Doran* test since our opinion affirming the district court's decision really focused on the similarity between the Santa Claus products at issue, rather than on the different "forms" of the products. *ERG v. Genesis, supra* at 1219.

The Petition also argues that the second prong of the *Durham* test is inconsistent with the Copyright Act. The Ninth Circuit properly rejected this argument:

> ERG takes issue with the second prong of the *Durham* test, arguing that it embodies an erroneous interpretation of the copyright laws. We are not persuaded by this argument, as we believe that this prong is completely consistent with Section 103(b) of the Copyright Act and is, in fact, necessary because of Section 103(b).
>
> . . . .
>
> . . . . [T]he second prong of the *Durham* test is designed to insure that copyright protection is not given to a derivative work if doing so would necessarily affect the scope of any copyright protection in the pre-existing materials.
>
> . . . .
>
> Viewed from another perspective, the second prong of the *Durham* test is necessary to insure that copyright protection is not given to derivative works whose originality is merely trivial. *ERG v. Genesis, supra* at 1220.

Finally, Petitioner argues that the Ninth Circuit's Opinion is wrong because it's rationale permits the reverse engineering of Petitioner's costumes which, Petitioner argues, should be prohibited because the costumes *qua* costumes are copyrightable independent of the characters they embody. (Peti-

tion at 9) This argument was properly rejected by the Ninth Circuit:

> We disagree with ERG's analysis. In the instant circumstances, where the derivative works at issue are sculptures, it makes no sense to include utilitarian aspects for purposes of determining originality when it is clear, in light of § 101 of the Copyright Act, that these utilitarian aspects are not copyrightable. Thus, ERG would illogically have the courts consider the uncopyrightable elements of a derivative work in order to determine if the derivative work is ultimately copyrightable. *ERG v. Genesis, supra* at 1221-2.

2. THE NINTH CIRCUIT PROPERLY AFFIRMED SUMMARY JUDGMENT ON THE CONFIDENTIALITY AGREEMENT CLAIM BECAUSE THE INFORMATION IN QUESTION WAS NOT CONFIDENTIAL

The Ninth Circuit properly applied well established federal and California precedent in affirming the district court's summary judgment against Petitioner regarding the Confidentiality Disclosure Agreement. The companies that purchased the costumes manufactured by Petitioner were the ones who had the costumes reverse engineered. *ERG, Inc. v. Genesis, supra* at 1211. Those end users never entered into any agreement with Petitioner to maintain confidences and were, as a matter of law, free to reverse engineer. Therefore, the Ninth Circuit was correct in ruling that:

> The absence of any non-disclosure agreements entered into by these previous purchasers is dispositive of the instant breach of confidence claim.
>
> . . .
>
> In this regard, it is important to note that "reverse engineering" is perfectly legal in a product not pro-

> tected by a patent. *See, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 49 U.S. 141-156, 109 S.Ct. 971, 980-81, 103 L.Ed. 2d 118 (1989). Accordingly, by not requiring the purchasers of its costumes to sign non-disclosure agreements, ERG gave up any ability it may have to claim that the manufacturing and design information disclosed to Genesis was "confidential in nature". *ERG v. Genesis, supra* at 1227-28.

There is no point to the Petitioner's contention that the Ninth Circuit somehow misconstrued this claim as a tort rather than a contract issue. The tort of breach of confidence and the Confidentiality Disclosure Agreement in this case both prohibit the disclosure of confidential information. Because Petitioner's costumes were sold to the public without restriction they were not confidential under either theory. Therefore, when they were reverse engineered by the customers who purchased them, there was neither a breach of confidence nor a breach of the Confidentiality Disclosure Agreement. There is precisely what the Ninth Circuit held.

The cases cited by Petitioner compel no different result. Unlike this case, none of them involved a claim that a purchaser of a product, unrestricted by any agreement to keep aspects of the product confidential, is prohibited from reverse engineering. Indeed, all of the cases Petitioner cites confirm that reverse engineering is perfectly legal where, as here, the product is sold on the open market to customers whose rights to reverse engineer are unrestricted by agreement.

> "If a so-called trade secret is fully disclosed by the products produced by the use of the secret then the right to protection is lost. *Vacco Industries, Inc. v. Van den Berg*, 5 Cal.App.4th 34, 50 (1992).

In *Vacco*, unlike this case, there was a factual record indicating that the inventor treated his designs as a secret -

here the record is just the opposite inasmuch the Petitioner never even asked the buyers for a commitment not to reverse engineer the costumes. *ERG v. Genesis*, supra at 1227. In *Clark v. Bunker*, 453 F.2d 1006 (9th Cir. 1972) unlike this case, the party who reverse engineered had obtained the information by what amounted to "industrial espionage". Here, there is no claim that parties who reverse engineered obtained the products by doing anything improper. *Sinclair v. Aquarius Electronics, Inc.*, 42 Cal.App.3d 216 (1974), a case enforcing the terms of a royalty agreement, recognizes that a trade secret offers no protection against reverse engineering. *Id.* at 226. Finally, *Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226 (Fed. Cir. 1989) confirms that although a publicly available fact may be a trade secret in certain contexts, reverse engineering is permitted, even of trade secrets, so long as the party doing it has not agreed to refrain from reverse engineering. Here, the end user customers never entered into such an agreement.

CONCLUSION

The Petition should be denied.

Dated February 12, 1998 Respectfully Submitted,

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